IN THE

Supreme Court of the United States

OCTOBER TERM, 1960

No. 606

C. K. WILLIAMS & CO., INC.,

Petitioner,

vs.

ARMOUR RESEARCH FOUNDATION OF ILLINOIS INSTITUTE OF TECHNOLOGY and MINNESOTA MINING & MANUFACTURING COMPANY,

Respondents.

BRIEF FOR RESPONDENTS IN ANSWER TO CROSS PETITION OF C. K. WILLIAMS & CO., INC. FOR THE WRIT OF CERTIORARI

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Introduction.

Defendant Williams' Cross-Petition for the Writ of Certiorari sets forth no reasonable basis for the granting of such a petition. Cross-Petitioner urges this Court to review the judgment of the United States District Court as affirmed by the United States Court of Appeals for the Seventh Circuit that there was no violation of the anti-trust laws and no misuse of the Camras Patent No. 2,694,656. The findings of the District Court in this regard were predicated upon a full consideration of testimony of a large number of witnesses examined in open court and a full consideration of extensive documentary evidence.

It will be noted that Cross-Petitioner does *not* contend that the findings of fact as made by the District Court and approved by the Court of Appeals are "clearly erroneous" but rather contends that the issues covered by the Cross-Petition are "primarily issues of law rather than of fact" (p. 5). We submit that upon the specific facts as found by the Courts below there was no violation of the antitrust laws, no misuse of the patent in suit, no damage to Cross-Petitioner as a result of any alleged illegal acts of the plaintiffs, consequently no misapplication of the law to the facts as found and, therefore, no basis whatsoever for granting the Cross Petition for the Writ of Certiorari.

What Cross-Petitioner has done is to prepare a Cross-Petition which is replete with mischaracterizations of the facts. To these mischaracterizations of the facts have been added insidious adjectives for the purpose of presenting "Questions" which do not arise in the record in this case. Upon these irrelevant questions the balance of the Cross-Petition is predicated.

The fallacious character of the Cross-Petition is clearly demonstrated by the facts as found by the District Court (unchallenged in the Cross-Petition) and affirmed by the Court of Appeals that:

1. There has been no price-fixing.
   (Finding No. 61; PA 3555)
2. There was no patent pooling or cross-licensing.
   (Finding No. 61; PA 3555)
3. There has been no use of a patent or patents to control the manufacture, use or sale of unpatented articles or materials.
   (Finding No. 61; PA 3555)
4. There has been no attempt to force others to buy only the patented products.
   (Finding No. 61; PA 3555)

5. There has been no joint control of any licensing program between the plaintiffs.
(Finding No. 61; PA 3555)

6. The evidence does not substantiate the charge that Camras or his attorneys willfully made any misstatement or misrepresentation to the Patent Office in the allowance of the Camras patent in suit.
(Finding No. 60; PA 3554-5)

7. There was no misuse of the patent in suit.
(Finding No. 62; PA 3555)

8. The defendants have suffered no damage as a result of any alleged illegal acts of the plaintiffs in misuse of the patent in suit in violation of the antitrust laws.
(Finding No. 63; PA 3555)

Stripped of the mischaracterizations and innuendoes, and considered in the light in which found by the Courts below, the facts of the case are clear and simple. There was no combination between the two plaintiffs, no concerted action and indeed no joint action in any capacity. Neither of the plaintiffs has any control over the other, any say in the business of the other, nor any veto power over what the other does. Plaintiffs are neither competitors nor potential competitors. Minnesota is a manufacturer. Armour, a not-for-profit research organization associated with Illinois Institute of Technology, does no manufacturing. (PRA 24)

The relationship between Armour and Minnesota was one of licensor and licensee. In 1947 Armour granted Minnesota a partially exclusive license (PA 1966). In 1954 Armour granted Minnesota an exclusive license (PA 1997) to the full extent that it was able to do so. This agreement terminated the 1947 agreement. That exclusive license also gave Minnesota the right to grant sub-

licenses. Since an exclusive license by its very nature precludes the granting of further licenses, Armour retained no right to grant further licenses, except as noted below, and hence Minnesota had no control over Armour's right to grant further licenses. That right in Armour had ceased to exist. Armour, on the other hand, had no control or say over the granting of sub-licenses by Minnesota (PRA 25). This exclusive license of 1954 is not a joint venture but is merely a conventional type exclusive license. Neither the grant of an exclusive license nor the grant of a partially exclusive license constitutes an illegal act since the Federal Statutes specifically provide for such a grant (35 U.S.C. § 261 (1952)).

Cross-Petitioner makes much of alleged false patent applications and alleged sham interference proceedings. There are no facts to support such a contention and the Courts below so found (Finding No. 60, PA 3554-5).

Cross-Petitioner contends that Armour's machine licenses were tied to Armour's tape patent. The Courts below found to the contrary (Finding No. 61, PA 3555). The testimony of witnesses and the license agreements themselves make it clear that there is no support for such contentions. There was no limitation in any machine license which specified either the type of recording media (wire or tape) to be used or the magnetic characteristics of the media. (PRA 20)

Cross-Petitioner further contends that because plaintiffs included claims in this suit directed to a magnetic tape as well as claims directed to the magnetic oxide *per se*, it is an extension of the monopoly of the patent. The accused oxide was made specifically for magnetic tape and hence Cross-Petitioner was charged with contributory infringement (of the tape claims) as well as direct in-

fringement (of the oxide claims). The law specifically defines and provides remedies for contributory infringement as well as direct infringement (35 U.S.C. § 271 (c) and (d). Thus Cross-Petitioner here seeks to invoke a defense which the Congress specifically rejected in the 1952 Patent Act.

The Cross-Petitioner suffered no damage as a result of any alleged illegal acts of plaintiffs and hence on this ground alone is not entitled to relief. The Courts below so found. (Finding No. 63, PA 3535).

Statutes Invoked.

The pertinent statutory provisions invoked in this answer are printed in Appendix A annexed hereto. These include Sections 261 and 271 (c) and (d) of Title 35 U.S.C. (Sections of Public Law 593, 82nd Congress). See also Section 15 of Title 15 U.S.C. printed in Appendix A of the Cross-Petition, which requires that the plaintiff in an antitrust "shall be injured in his business or property . . ."

Cross-Petitioner's "Questions" Do Not Properly Arise in This Record.

We will briefly demonstrate that no "question" as stated in defendant's Cross-Petition properly arises in this record.

1. This question pertains to an alleged "restrictive licensing system" and alleged "restrictive agreements" of Armour. The Armour machine licenses are *not restrictive*. They are a grant of a non-exclusive right to manufacture, sell and use machines embodying one or more of Armour's inventions. A typical license is that to Eicor, Inc. (PA 2660). From an inspection of this license, it will be clear that there are no restrictive covenants. To prevent misunderstanding, the agreement makes it clear what is and

what is not included in the grant. The machine licenses, which were non-exclusive, granted rights in any machine field desired by the prospective licensee. If the licensee should engage in the business of manufacturing and selling products embodying one of Armour's patented inventions but outside of the scope of the grant, the licensee would not be violating the contract, but would be infringing Armour's patent rights. This is an important distinction which negatives the claim that the machine licenses are restrictive. It is particularly important to note that the machine license (as exemplified by the Eicor agreement) provides no veto power or control by the licensee over Armour's licensing program or over those to whom licenses may be granted.

2. This question seeks to inquire as to whether the grant of an *exclusive license* is illegal. Such licenses are specifically authorized by the Patent Laws (Title 35 U.S.C. 261). The inclusion of improvements of licensor in such agreements is usual and necessary in order to permit licensee to enjoy the rights granted, subject to payments of the royalties agreed upon, without the necessity of negotiating a new license each time that the licensor makes a change or modification. Although this Court recognized a possible vice in the much more severe requirement that there be a *grant-back* of improvement patents by *licensee* to licensor, it held in *Transparent-Wrap Machine Corp.* v. *Stokes & Smith Co.*, 329 U.S. 637; 647, that:

> "Congress has made no specific prohibition against conditioning a patent license on the assignment by the licensee of improvement patents."

Here, there are no provisions for a grant-back. The license involved is a usual exclusive license under which *licensee* acquired a license under licensor's improvements in the

specific field licensed. Armour at no time obtained any rights from Minnesota under the latter's patents. Plaintiffs-respondents have operated within the frame work of the Patent Laws as found by the Courts below (Findings 61 and 62; PA 3555)*.

3. This question, which relates to the alleged relationship of the 1954 Armour-Minnesota agreement and the Armour machine licenses, does not arise in this record because no Armour machine licensee is limited to the use of any particular type of record media (PRA 20); no Armour machine licensee is required to use any specific record medium (*e.g.* tape or wire) but on the contrary may use any record media that it chooses. Armour cannot and does not dictate or even advise any particular machine construction or adjustment (PA 1786-7). It is further clear in this record that tapes other than the tape of the Camras patent in suit, were and are available to Armour's licensed machine builders, including a low coercive force tape made by Minnesota and on which it paid no royalties to Armour (PA 938-9) and including the Brush and German tapes of the prior art so highly praised by defendants in their defense to the charge of infringement of the Camras patent. The District Court found no "unlawful tying arrangement". Its Finding No. 61 (PA 3555) in such respect was affirmed by the Court of Appeals.

4. This question, which is predicated on the offer of drafts of price control licenses by Minnesota, which were never signed by anyone, does not arise in this record. The Court below found that there "has been no price-fixing". (Finding No. 61, PA 3555). This record further establishes that non-price fixing agreements were offered

* Insofar as Cross-Petitioner's allegations relate to the Armour-Minnesota 1954 license, that matter has become moot. The license has been terminated.

by Minnesota to the three largest tape manufacturers (DA 820-1; PA 1874-5). Furthermore, neither Armour nor Minnesota was the first to bring suit involving the Camras patent. The first suit (a declaratory judgment suit) was brought by Technical Tape Corp., a defendant here and a respondent in No. 553. This was brought in the United States District Court for the Southern District of New York and was dismissed for lack of jurisdiction over Armour, an indispensable party (*Technical Tape Corp.* v. *Minnesota Mining & Manufacturing Company*, 135 F. Supp. 505). Thus the characterization "eliminate all other competition by litigation" stated in Question 4 does not arise in this record. In a declaratory judgment suit brought by Audio Devices, Inc. in the Southern District of New York, against Minnesota and Armour, charges of antitrust violations and misuse were withdrawn and dismissed with prejudice prior to trial. No infringement suit was ever brought against Reeves Soundcraft, a large tape manufacturer.

5. This question, which is based upon alleged "false patent applications" and alleged "sham interference proceedings" does not arise in this record. The Courts below made no finding as to "false patent applications". Finding No. 60 (PA 3554-5) is directly to the contrary. *Dicta* in the Opinion of the Court of Appeals (280 F. 2d 499; 507), concerning the interference proceeding being "in the nature of shadow boxing", did not result in a reversal of the District Court's findings dismissing the antitrust and misuse counterclaims. The "sham patent application" charge is supported, not by the record, but by sheer innuendo. This was a situation where Minnesota, having knowledge of the superior properties of tape made with the Camras oxide developed an oxide having apparently equally desirable properties. Without knowledge of what

might be included in the Camras patent application, Minnesota filed an application describing and claiming the process and product so developed. This is ordinary, proper and usual procedure and is the only method by which Minnesota could have protected features of its process and product that might be patentable over Camras. Neither Minnesota nor Armour had knowledge of the contents of the others' application until the Patent Office declared them to be in Interference (PA 907-10; DA 597-9). The fact that a subsequent consideration of the evidence of both parties in connection with that Interference justified a decision that Camras was the prior inventor of that subject matter does not support the charge that Minnesota or Armour filed a "sham patent application". The Courts below refused to so find although the point was extensively argued. The lack of justification for this observation is emphasized by Attorney Abbott's letter to H. P. Buetow, President of Minnesota (PA 2032-3), which indicates the care with which the evidence was examined prior to the concession of priority to Camras, the senior party. (See also testimony of Dr. Wetzel, PA 1139).

6. This question, which seeks to predicate a charge of alleged misuse and violation of the antitrust laws by virtue of defendant Williams having been charged with contributory infringement,* where the oxides sold by Williams were "especially for magnetic recording devices—sound tape * * *" (PA 1952-3), does not arise in this record in view of Title 35 U.S.C. Sections 271(c) and (d). This section of the Statute was specifically enacted in order to clarify a patentee's right to sue for contributory infringement.

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* Williams was also charged with direct infringement of claims of the Camras patent directed to the magnetic tape oxide.

Cross-Petitioner's Asserted Reasons For Granting The Writ And Authorities Cited In Support Thereof Are Not Applicable To The Facts As Found By The Lower Courts.

We have previously pointed out that the facts as found by the Courts below are not challenged in the Cross-Petition and that the purported "Questions" stated in the Cross-Petition do not arise in the record in this case. These facts, coupled with the dismissal below of defendants' counterclaims, the affirmance of that dismissal and the denial of defendants' Petition for Rehearing, amply justify the denial of the Cross-Petition. The very fact that Judge Duffy, although expressing some doubts originally, found (280 F. 2d 499, 507) "there is in the record credible evidence to support the Court's findings on these issues" (the antitrust issues) and that "The same holds true of the Court's finding that defendants did not prove the alleged misuse of the patent in suit", is indicative of the Court's careful study of the record as to these issues.

Based upon the findings so made, authorities cited by Cross-Petitioner are inapplicable to the case at bar because the premise upon which each such authority is bottomed is not present here.

The Grant Of An Exclusive License Is Specifically Authorized By The Patent Statutes.

Cross-Petitioner asserts that plaintiffs have carried on persistently and in concert since 1947 an extraordinary course and plan of monopolization which was unreasonable, illegal and injurious to Cross-Petitioner. It seems to have lost sight of the fact that there was no combination and that the two companies, which are not competitors in any sense, did not and do not act jointly in any

capacity. *Neither company has any control over the other, any say in the other's business, nor any veto power over what the other does.*

Armour originally granted Minnesota a partially exclusive license in 1947 (PA 1966). That license was terminated by the 1954 agreement.

In 1954 Armour granted an exclusive license to Minnesota (PA 1997) to the full extent that it was able to do so. The grants of the 1954 license were essentially the same as those of the 1947 agreement (which the 1954 agreement replaced), and the royalty rate with respect to licensee's sales of recording tape was the same. The 1954 agreement is more closely akin to a truly exclusive license in that the licensee Minnesota is given the right to grant sublicenses under Armour's inventions in the magnetic record member field (PA 1908). This agreement also includes a provision, of the type frequently found in exclusive licenses, to the effect that the licensor agrees to bring suit at the licensee's request and at the licensee's expense (PA 1907-9). Since Armour had granted an exclusive license to Minnesota and since an exclusive license, by its very nature, precludes the granting of further licenses, Minnesota obviously has no control over the grant of licenses by Armour for Armour had fully disposed of that right to Minnesota. Furthermore, there is not a single provision either expressly or by implication wherein Armour has any control or say over the granting of sub-licenses by Minnesota. This 1954 agreement, as was also the case with the 1947 agreement, does not represent a joint venture in which the parties to the agreement are consulting with each other as to how they shall exploit the market (as in cases cited by Cross-Petitioner) but rather Minnesota has the sole control of such property rights as have been

granted to Minnesota. Armour has sole control of such property rights as have been retained by Armour. In both the 1947 and 1954 agreements, Armour retained rights to assure fulfilling the public demand for the patented magnetic recording tape in the event of failure to do so by Minnesota (PA 1981-2; 2017).

There is not one iota of evidence in this case which would establish that either has ever consulted the other about how it should handle or deal with its respective property rights. Neither the grant of an exclusive license nor the grant of a partially exclusive license constitutes an illegal act. The Patent Act specifically provides for such a license (35 U.S.C. § 261 (1952)).

Minnesota was an "exclusive" licensee, notwithstanding the fact that it took its exclusive license subject to certain existing specified non-exclusive licenses.

The Court of Appeals for the Second Circuit in *Western Electric Co.* v. *Pacent Reproducer Corporation*, 42 F. 2d 116 (CA 2, 1930), had this to say:

> "But a license to practice the invention may be accompanied by the patent owner's promise that others shall be excluded from practicing it within the field of use wherein the licensee is given leave. • • • p. 118)
>
> "• • • The definition of an exclusive license, • • • might be thought to imply that an 'exclusive licensee' is a sole licensee. But we do not so understand it. A bare license might be outstanding in one when the patent owner grants a license to another accompanied by the promise that the grantor will give no further licenses. • • •" (p. 119)

See also *United States* v. *E. I. duPont de Nemours & Co.*, 118 F. Supp. 41, 214, 224, 225 (DC, Del.), aff'd. 351 U.S.

377, where at page 224, the Court held: "As owner of these patents duPont had a right to grant an exclusive license and under the cases such a license in no way violates the provisions of the Sherman Act."

Cross-Petitioner places much reliance on the *Besser* case, *(United States v. Besser Mfg. Co.* 96 F. Supp. 304; aff'd. 343 U.S. 444). That case was cited in defendants' brief in the District Court and again in defendants' brief on appeal. The controlling facts in the *Besser* case are entirely absent here.

In the *Besser* case, the alleged conspiring parties, Besser and Stearns, were both large competing manufacturers of concrete blocks. Both owned or controlled patents on machinery important in the manufacture of such concrete blocks. In the instant case, Armour Research Foundation is not a manufacturer at all. It is a not-for-profit research organization interested solely in research and cooperating with Illinois Institute of Technology in advancing technological education.

In the *Besser* case, the defendant company at about the time of expiration of its principal patent sought to obtain control of its competitor Stearns by surreptitious means and did obtain *de facto* control as a result of such efforts. Here, Armour has no interest in Minnesota beyond the royalties which it collects from that company, and Minnesota has no interest in Armour beyond its obligation to pay the latter royalties due under its exclusive license arrangement.

In the *Besser* case, *joint* control of the granting of licenses was exercised by Besser and by its competitor and co-licensee Stearns. The contract between Stearns and Besser required *their joint consent* before licensing others. As the District Court stated (96 F. Supp. 311): "It is this

combination requiring *collective action* that primarily invalidates the agreement." No such collective action is present in the Armour-Minnesota agreement. Minnesota has the right to grant sub-licenses subject to the payment of royalties to Armour. It does not even need to advise Armour of its negotiations for sub-licenses, and its only obligation to Armour, once a sub-license is granted, is to pay royalties due as prescribed in the agreement. *No collective action whatever is here involved.*

The cases cited on page 17 of the Cross-Petition in apparent criticism of the inclusion of the usual provision that a license shall include improvements of the *licensor* are so inapplicable as to lead to the conclusion that the citation thereof constitutes a deliberate attempt to indirectly misrepresent the facts here of record.

In the cited cases, the contracting parties were *competitors*. Here, Armour, a not-for-profit research organization, does no manufacturing and in no sense can be called a "competitor" of Minnesota.

In *U.S.* v. *Parker Rust-Proof Co.* and in *U.S.* v. *General Electric Co.*, the contracts provided for "grant-backs" from licensee(s) to licensor. Here, there are no such grant-backs.*

U.S. v. *National Lead* cited involved not only an agreement between competitors, but a division of territory between competitors—facts not remotely related to those of record here.

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* Previously in this brief, we have cited the holding of this Court as to "grant-backs" in the **Trans. Wrap** case. Provisions there held not illegal were far more restrictive than the simple requirement here that the license include improvements made by **licensor.**

Armour's Machine Licensees Were Not Required To Use The Recording Media Of The Patent In Suit There Was No Tie-In

We have pointed out that Question 3 does not properly arise in this record since magnetic recorder licensees were under no obligation to use the patented tape and had other non-infringing tapes (and wire) available. The particular record medium used was solely within the control of the recording machine manufacturers and not within the control of either plaintiff.

No "tie-in" can be implied from Minnesota's efforts to have machine manufacturers adapt their machines for Minnesota's tape. This was merely good salesmanship. Armour had no part in it.

One tape manufacturer, Reeves Soundcraft, said on May 3, 1955 (DA 687) that it had found a non-infringing material "superior in all respects to the material we have been using in the past." Nothing in the Armour machine licenses and nothing in Armour's exclusive license to Minnesota precluded the use of such non-infringing material or of the prior art materials asserted by Cross-Petitioner, in its defense to the charge of infringement of the Camras patent, to be so satisfactory for magnetic recording purposes. The fact that Cross-Petitioner chose to appropriate the Camras invention was not within the control of either plaintiff. Here, there was no "tie-in", as spuriously asserted by Cross-Petitioner, and therefore the cases cited at page 19 of the Cross-Petition are clearly not applicable.

In *Ethyl Gasoline Corp.* v. *U.S.*, 309 U.S. 436; 459, cited, the patentee manufactured a fluid which it sold to refiners for the treatment of fuel. No royalties were derived by the patentee from the sale of the patented fuel and the Court held that "Such benefits as result from the control

over the patented fuel accrue primarily to the refiners and indirectly to appellant only in its enjoyment of its monopoly of the fluid secured under another patent."

Here the only income of Armour is through royalties. It manufactures nothing. Its recording machine licensees pay royalties on machines covered by its machine patents. Armour has no control over the type of recording machine made by its licensees. If those machines are outside the Armour machine patents, the licensee pays no royalty.

Minnesota, under its license, paid royalties to Armour for tape made by it and covered by the Camras patent. It also manufactured and sold low coercive force tape on which it paid no royalty to Armour (PA 938-9).

The other cases cited on page 19 of the Cross-Petition all involve situations wherein the grant was conditioned either directly or indirectly or by the granting of more favorable terms (as in the *IBM* case) upon the use of material (or services as in the *Northern Pacific* case) not covered by the patents or lease upon which the grant was based. These were true "tie-ins".

Here, the machine licensee could use any tape that it chose. It can use wire. If it chose to use the tape of the Camras invention, that is a tribute to the invention —not a "tie-in".

There Was No Attempt to Monopolize.

Cross-Petitioner asserts that the *offer* of price-control licenses by Minnesota to Reeves Sounderaft Corporation and Audio Devices, Inc. constitutes an unlawful attempt to monopolize. The mere *offer* of an unsigned document for purposes of negotiation affords no basis for predicating a combination in restraint of trade. *Benz et al.* v.

Celeste Fur Dyeing & Dressing Corp., 57 F. Supp. 895, 899 (DC, SD, NY, 1944). Furthermore, even if it be assumed that the offer of price-control licenses was made in an attempt to monopolize, the Cross-Petition completely ignores the fact that any such attempt was abandoned through the subsequent offering of non-price-fixing agreements by Minnesota to three large competing tape manufacturers (DA 820-1; PA 1874-5; 1882).

Admitting as it must that the District Court was correct in finding that no agreement was entered into, Cross-Petitioner speciously implies that this litigation was brought by reason of that fact. The refusals of those agreements were not "immediately followed by this litigation against Williams". This litigation was started May 27, 1955. Prior to that date, there was no final refusal of the profered licenses by either Reeves Sounderaft (DA 682, 688) or Audio (DA 681). Technical Tape (one of the defendants below) and not the plaintiffs started the *first* suit involving the Camras patent (See 135 F. Supp. 505; 509).

The litigation against Williams was instituted under the patent laws for patent infringement. Such institution of suit was not "an illegal attempt to fix prices and to monopolize." *United States* v. *Aluminum Co.*, 2 Cir., 1945, 148 F. 2d 416, cited at page 21 of the Cross-Petition does not support Cross-Petitioner's contention.

Additional cases cited by Cross-Petitioner likewise are not applicable here. In those cases, there was actual price-fixing. Here there is none.

Cross-Petitioner's Pretended Concern For The Public Interest.

At pages 11 and 12 of the Cross-Petition, concern is expressed for the public interest in that allegedly "this

phase of the case involves important questions of public policy affecting many other persons, not merely these litigants". The lack of sincerity of this position is evident from a statement made in an ex parte application to Mr. Justice Clark for an extension of time within which to file the instant Cross-Petition. In that application, counsel for Cross-Petitioner stated *inter alia* that it had concluded that "it would not petition for a writ of certiorari on the antitrust phase unless the respondents should petition on the patent phase". This, we submit, is something less than an altruistic concern for the public interest. Rather, it would appear to represent the grave private concern of the Cross-Petitioner which appropriated the Camras invention, substantially in its entirety and only commercially produced the patented magnetic recording tape oxides after it had learned full details of the process and product from Armour's then licensee, National Standard Company (PA 2777-01).

No Damage to Cross-Petitioner.

Although it submits no Question in such respect, the Cross-Petition speculates* that Williams would have retained business which it lost and would have increased its magnetic recording tape oxide business but for the activities of plaintiffs. This speculation is contrary to the record and to Finding of Fact No. 63 (PA 3555).

Cross-Petitioner's President Mr. Ayers, testified that the sales of all hydrogen-reduced magnetic iron oxide for the years 1954, 1955 and 1956 were 337,313 pounds, 297,419 pounds and 344,029 pounds, respectively (PA 1507-8). Mr. Ayers failed, however, to give any testimony as to

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* See Keogh v. Chicago & N.W. Ry. Co., 271 Fed. 441, 447; aff'd 260 U.S. 156

what portion of these total figures was represented by magnetic iron oxide of the type accused in this lawsuit so that it is obvious that the figures have no significance. Furthermore, it will be noted that while the dollar volume of magnetic iron oxide sold in 1956 was somewhat less than that sold in 1954, the actual pounds of magnetic iron oxides produced by hydrogen reduction were greater in 1956 than in 1954 (PA 1507-8). Mr. Ayers further testified (PA 1513) that the business of Williams increased from $10,000,000 in 1947 to $15,000,000 in 1957.

Mr. Ayers explained that two of their principal magnetic recording tape customers decided to make oxide in their own plants (PA 1510). Williams in effect is thus urging that it should have a monopoly of tape oxides and that its former customers had no right to make their own tape oxide. Williams does not contend that Minnesota captured the magnetic tape oxide business from it.

In *Mason City Tent & Awning Company* v. *Clapper*, 144 F. Supp. 754 (a case cited by Cross-Petitioner), the Court clearly and succinctly points out what a plaintiff must prove before damages may be recovered when a private party plaintiff seeks relief under the Sherman Act. Specifically, the Court states (pp. 765, 766):

> "It is an axiom of private Sherman Act litigation that before damages may be recovered for claimed violation thereof, '(plaintiff) must establish two things: (1) *A violation of the Antitrust Act and (2) damages to the plaintiff proximately resulting from the acts of the defendant which constitute a violation of the Act*'." (Italics ours)

We submit that plaintiff Armour was fully justified in bringing this suit for infringement of the Camras patent. Minnesota was later joined as an additional party plaintiff on motion of defendant, PA 66). The following ob-

servations made by Chief Judge Phillips of the United States Court of Appeals for the Tenth Circuit in *Cole* v. *Hughes Tool Co.*, 215 F. 2d 924, 935, are equally applicable here:

> "(3) While we hold for the reasons hereinafter more fully set forth that Patent No. 2,233,746 is invalid for want of invention, Hughes was fully justified in bringing the instant actions for alleged infringement of that patent by the defendants. The bit covered by that patent was primarily designed for use in softer formations. That was a field in which Hughes' competitors had provided a more satisfactory bit. The bit covered by that patent met problems of drilling in the softer and more plastic formations, which Hughes, with all its research organization, theretofore had not been able to solve, and it enjoyed very substantial commercial success. By virtue of 66 Stat. 812, 35 U.S.C.A. § 282, that patent was presumed to be valid and the burden of establishing its invalidity rested upon the party asserting invalidity."

Here the Cross-Petitioner's tape oxide and the magnetic recording tape made therewith by defendant, Technical Tape Corp., respond fully to the claims in suit (Px 2 and Px 3, PA 1952-3; Px 27A, PA 2151; PA 1164-73; Px 11, PA 1965; Px 4, PA 1954-5). We suggest that Cross-Petitioner Williams did not believe the Camras invention to be groundless when it sent its chief research scientists Rodrian and Stephens to obtain full information from Armour's licensee, National Standard, on September 22, 1948 (PA 2777-87) in order that Williams might supply samples of tape oxide "comparable to Armour's within a short time" (PA 2788-9). Prior to this suit, Mr. Joseph Ayers, an executive of Cross-Petitioner, told Soda of Technical Tape that the oxides furnished by Williams to Technical Tape "did infringe" (PA 1232).

CONCLUSION.

It is respectfully submitted that on the unchallenged findings of fact of the Courts below and for the reasons stated herein there was (1) no violation of the antitrust laws, (2) no misuse of the patent in suit, (3) no damage to Cross-Petitioner and, therefore, defendant's Cross-Petition should be denied.

Respectfully submitted,

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Appendix "A".

United States Code Title 35—Patents

§ 261. Ownership; assignment

Subject to the provisions of this title, patents shall have the attributes of personal property.

Applications for patent, patents, or any interest therein, shall be assignable in law by an instrument in writing. The applicant, patentee, or his assigns or legal representatives may in like manner grant and convey an exclusive right under his application for patent, or patents, to the whole or any specified part of the United States.

A certificate of acknowledgment under the hand and official seal of a person authorized to administer oaths within the United States, or, in a foreign country, of a diplomatic or consular officer of the United States or an officer authorized to administer oaths whose authority is proved by a certificate of a diplomatic or consular officer of the United States, shall be prima facie evidence of the execution of an assignment, grant or conveyance of a patent or application for patent.

An assignment, grant, or conveyance shall be void as against any subsequent purchaser or mortgagee for a valuable consideration, without notice, unless it is recorded in the Patent Office within three months from its date or prior to the date of such subsequent purchase or mortgage.

§ 271. Infringement of patent

(c) Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use

in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial non-infringing use, shall be liable as a contributory infringer.

(d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement.